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ABSTRACT

This report summarizes the roundtable discussion of 19 China experts at a conference on the development of U.S. policy convened four months after the democracy demonstrations that took place in China in spring, 1989. The group's discussion highlighted five major areas of uncertainty over China's course in the short-term to intermediate future: (1) the extent of changes in Chinese life caused by the abrupt political changes of May and June 1989, and the eroding economy; (2) understanding key relationships within the Chinese military and between the military and civilian leaders; (3) how much change has occurred in the balance of power between the center in Beijing and the provinces; (4) the degree of consolidation of power by China's current leaders; and (5) the effect of stricter central economic policies on the long-term performance of the economy. The keynote address by Richard H. Stanley, which is given in full, asked the conferees to consider two underlying issues in their deliberations: (1) the changing national power relationships including the relative erosion of U.S. power; and (2) the profound global systemic changes that are rendering old policy assumptions obsolete. (NL)

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Crisis in China: Prospects for US Policy

30th Strategy for Peace, US Foreign Policy Conference 1989

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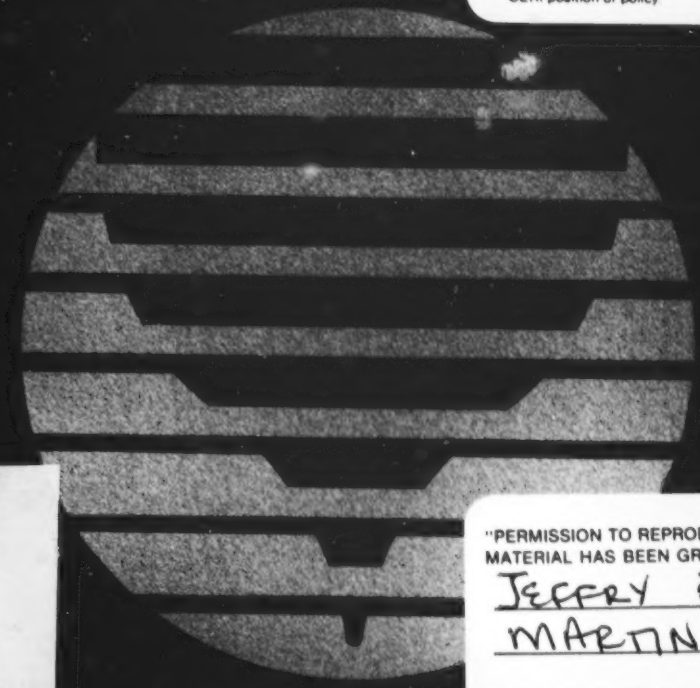

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About the Conference

Strategy for Peace, the Stanley Foundation's US foreign policy conference, annually assembles a panel of experts from the public and private sectors to assess specific foreign policy issues and to recommend future direction.

At the October 1989 conference, sixty-nine foreign policy professionals met at Airlie House Conference Center to recommend elements of a strategy for peace in the following areas:

1. Debt and Democracy in Latin America
2. Soviet Economic Reform: Socialism and Property
3. Crisis in China: Prospects for US Policy
4. Global Change and Africa: Implications for US Policy

The work of the conference was carried out in four concurrent round-table discussions. These sessions were informal and off the record. The rapporteurs tried to convey the conclusions of the discussions and the areas of consensus and disagreement. This is the report of one discussion group.

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The rapporteur prepared this report following the conference. It contains his interpretation of the proceedings and is not merely a descriptive, chronological account. Participants neither reviewed nor approved the report. Therefore, it should not be assumed that every participant subscribes to all recommendations, observations, and conclusions.

Crisis in China: Prospects for US Policy

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China Discussion Group

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Crisis in China: Prospects for US Policy

More than four months after the huge democracy demonstrations around Beijing's Tiananmen Square and in other Chinese cities and the subsequent brutal crackdown of demonstrators, the People's Republic of China (PRC) appears to be entering a period that combines elements of protracted repression, austerity, and instability. The conference discussion group of nineteen China experts concluded that during this period it will be difficult for US political, economic, and cultural ties with China to return to the level and warmth that existed prior to Tiananmen Square.

Overview of Situation in China

The group's discussion of the complex and fluid situation in China highlighted five major areas of uncertainty over that country's course in the short to intermediate future. Some tentative judgments about contemporary China, nonetheless, were made based on press reports and recent trips to China by several group members.

The events of spring 1989 have dramatically destabilized political institutions; greatly reduced the chances for an orderly succession of leaders; resulted in the arrest or purging of selected reformers, intellectuals, and workers; worsened already severe economic trends; and alienated large parts of society. The first major uncertainty that the group found in trying to anticipate China's future direction, however, is the extent of changes in the fabric of Chinese life caused by the abrupt political changes in May and June 1989 and by the eroding economy over the past year. The level of popular resistance to the current leadership and degree of alienation has yet to be fully gauged and reported.

The key relationships within the Chinese military and between the military and civilian leaders has been and continues to be difficult for foreign observers to fathom — a second major uncertainty about China's future. Although the democracy movement and its brutal resolution dramatically highlighted a severe crisis in political leadership, no clear evidence has emerged of a breakdown in

military command or of an increased propensity for regional warlordism.

A third uncertainty is how much change has occurred in the balance of power between the center in Beijing and the provinces and in the ability of provincial and local leaders to evade central directives or to lobby for changes in its policies. Beijing has the power of political appointment, and it can control the disbursement of revenues and the allocations of foreign exchange. Yet, the past decade of decentralized decisionmaking and regionalized economic growth encouraged independence of provincial leaders and increased their voice in determining national policies.

While agreeing that China's leadership is highly unstable, the group members had a wide range of opinions regarding the degree of consolidation of power by China's current leaders — the fourth key uncertainty in that country's future. Part of the group felt that the apparently more ideologically and economically conservative leaders associated with Premier Li Peng have consolidated their positions with relative speed. Others felt that the larger balance of power, however, is fluid with great uncertainty over the eventual future of the new general secretary, Jiang Zemin. Although several potential claimants to power after the departure of China's primary leader, Deng Xiaoping, can be identified, their long-term leadership potential is handicapped by their age among those of Deng's generation or, among the next younger generation, by the age and power of their sponsors. At the same time, no one else below the age of seventy has emerged who can pull together regional, bureaucratic, and military sources of power. As a result, many decisions that China faces depend on who dies first and in what order.

The fifth uncertainty about China is the effect of stricter central economic policies on the long-term performance of the economy which by historical standards has grown at a high rate as measured since 1949. In 1988 China began tightening its policies to provide a recuperative pause to a rapidly growing economy suffering from a perceived high rate of inflation. The pre-Tiananmen pragmatic response to an overheated economy, however, has been given an ideological overlay. The level of private enterprise participation in the economy is currently being cut back by adoption of tighter

credit policies and measures to combat corruption. Foreign investment in joint ventures that produce goods for sale in domestic markets, instead of export markets, is being restricted.

Because of multiple areas of uncertainty and the complex and fluid situation in China today, the group could not make predictions about China's future direction. Members of the group, however, identified three different Chinas that could emerge over the next few years. The first China could be one where hardline leaders interested in a tougher foreign policy and conservative economic policies consolidate their power. A second China could be one that readopts some of the policies of the past decade and slowly returns to a reformist approach. A third China could be a combination of the first two with contradictory elements of political repression and economic reform.

Impact on Chinese Foreign Policy and US-China Relations

The events of Tiananmen this spring have caused the different groups that form Beijing's leadership to renew debate over China's general orientation toward the outside world. Although this debate is not clearly defined, two rough extremes can be perceived. On one side, there are those who believe the outside world is basically cooperative as before Tiananmen, and therefore, China's policies of steadily thickening political, economic, and cultural ties over the past few years should continue. On the other side, there are those who believe that the West is engaged in a conspiracy to cause evolutionary change in China away from socialism, and therefore, Beijing's policies should seek to maintain political ties but limit economic ties with the outside world to essential trade relationships. The group's discussion of this debate in large part reflected the differing opinions that group members had on the degree of consolidation presently among China's leaders.

In attempting to anticipate policy changes resulting from this debate, the group felt that China does recognize constraints of the international system on its ability to make major changes in its geopolitical policies. China remains committed to longstanding goals of becoming militarily powerful and economically strong. Over the long term, the systemic constraints on China seem pro-

found. Over an undefined short term, nonetheless, the group felt that Chinese leaders could defy these constraints and could pursue either ideological or inward-looking policies in response to strong domestic political impulses.

On strategic and political issues since Tiananmen, the PRC leadership has stated its desire to continue its self-proclaimed independent foreign policy that avoids alliances with either superpower but seeks increased trade ties with the outside world. The Soviet Union's policies of political reforms which are potentially subversive to China, its growing economic difficulties, and its interest in increasing Western participation in the Soviet economy make that country less attractive to hardline Chinese leaders as an alternative to substantial relations with Western countries. The increasingly cooperative nature of US-Soviet relations also has significantly lessened the rigidity of the triangular relationship between the superpowers and China and greatly reduced China's leverage on the United States.

These trends do not yet appear to be impelling China to change its military and security ties with the United States and other countries. The United States has temporarily suspended high-level military visits, functional exchanges, and arms sales with China. Nevertheless, China's political leaders and the professional elements of its military both appear to want to continue security ties with the United States, based on their underlying threat perception of the currently more benign Soviet Union.

China's relations with much of the international community has been complicated by its reaction to the outside world's increased scrutiny of China's human rights record. Beijing's current leaders have condemned this scrutiny as interference in its domestic affairs. In the recent past, China, however, has explicitly recognized the right of countries to make human rights judgments of other countries through its ratification of international human rights agreements and its prior statements on South Africa, Argentina, Israel, and South Korea.

China's policies toward Asia appear, on the margin, to be slightly tougher and less forthcoming than the five years immediately before Tiananmen. China's statements and actions toward

Hong Kong have become much less flexible at the same time that Hong Kong's crisis of confidence has become much worse. It has expressed public irritation over the success, so far, of Taiwan's flexible diplomacy which is seeking to persuade other countries that recognize Beijing to also recognize Taipei. The loss of acceleration in informal cultural and economic ties across the Taiwan Straits has upset a tacit deal whereby China appeared to accept Taiwan's flexible diplomacy in exchange for greater cross-straits interaction. To date, though, China has not significantly changed its position on Cambodia or on the Korean peninsula other than to slow down the growth of its informal ties with South Korea nor has it stated new positions on other issues in Asia.

The renewed debate among Chinese leaders since Tiananmen over the level of appropriate Western penetration of China will have a profound effect on China's economic and cultural ties with the developed world. The austerity policies currently being pursued by the hardline leaders in Beijing and a growing antiforeign tone in debates over economic policies probably will result in proliferating restrictions on joint ventures over the short run. These restrictions will likely take the form of limits on sourcing of raw materials, greater party and trade union activity in workplaces, reduced access to foreign exchange, heightened bureaucratic red tape, and increased political uncertainty. Western economic sanctions may make technology transfers to China more difficult to carry out and reduce lending by multilateral agencies and commercial banks. Nevertheless, Beijing's current leaders seem to desire continued foreign trade and investment, primarily for export markets, at a level not too high —that permits unregulated Western economic activity domestically —or too low—that returns China to relative economic isolation.

China also seems to be currently seeking a relative reduction in cultural exchanges with the developed countries without causing a complete break. It has announced policies that will significantly reduce the numbers of Chinese undergraduate students coming to the United States but will permit older graduate students and visiting scholars to participate in scholarly exchange programs.

Potential Changes in US Policy Toward China

Although the depth of the current strain in US relations with China

began with the events in Beijing and can be resolved to a certain extent by changes in Chinese leadership and policy, significant changes have occurred in the views and influence of key US actors who help determine official and unofficial US policies toward China.

Public Opinion

Extensive coverage of dramatic prodemocracy demonstrations and the brutal government crackdown has resulted in a major shift of US public perceptions of China from a country that is basically friendly to neutral toward the United States to a country basically neutral to unfriendly. This shift and a corresponding large decline in US tourism to China indicates that the US public has become more skeptical and cautious about China. Although US citizens appear to support the basic thrust of President Bush's moderate sanctions on China, their increased skepticism could provide support for tougher sanctions if the situation of increased repression remains the same or worsens.

Press

Statistics were cited showing that China news stories covering the succession of events from the May 4th anniversary to the death of students and workers in June 1989 took 30 percent of the attention of national media, equivalent to the impact of the Iran/contra hearings or US-Soviet presidential summits. Although media attention on China has and can be expected to diminish slowly, much of the "elite" or more influential press will continue to devote more extensive and periodic coverage, especially on human rights and the effects of uncertainty about Hong Kong's future. The degree, level, and content of this coverage with a likely emphasis on stories of repression, not reform as in previous years, will prevent much improvement of US opinion toward China.

Overseas Chinese Activities

The Chinese democracy movement organized by Chinese emigres who were already in the West or had recently fled China is composed of many separate and often competing organizations, such as the Independent Federation of Chinese Students and Scholars and the Federation for Democracy in China (FDC). The organization with the most potential influence on US policy toward China probably will be the FDC established in Paris and led by Yan Jiaqi.

Although the FDC seems to have a sizable staff and moderate financial backing, its influence in the United States will probably hinge on whether inherent differences in personality and background of its members can be adequately suppressed in its policy formulation. The Chinese-American community has long had a desire to influence China and has had moderate impact. However, it has been less successful in organizing itself to influence US political leaders. If a greater degree of cohesion and organization can be achieved, the Chinese-American community could potentially join with human rights groups and Chinese emigre groups to have a substantial impact on US policies toward China.

Congress

Although not then fully appreciated, the administration's mishandling of Fang Lizhi, the Chinese dissident now hiding in the US embassy in Beijing, during President Bush's February visit to China cost him a significant amount of political capital in his standing in Congress. On an issue where the president could legitimately claim special expertise, Congress perceived the president as seeming to value his special relationship with Chinese leaders to the detriment of US concerns for human rights. Bush's lack of firmness with China's leaders on this issue exposed a vulnerability in maintaining presidential control over US-China relations. After the Tiananmen events, Congress acted on this vulnerability by seeking to codify a moderately stricter set of sanctions on China that would, as one participant put it, "keep [the president's] toes to the fire to keep him honest."

With greater public interest in Chinese human rights and the strength of the congressional human rights coalition, Congress can be expected to more energetically utilize international human rights yardsticks to evaluate China on this issue. China will no longer be given special exception in the application of these yardsticks as it once was under the "Kissingerian" strategic framework that existed in the 1970s and persisted into the 1980s. This congressional coalition against special treatment of China will be a drag on executive branch efforts to rebuild US-China ties.

Executive Branch

The executive branch departments and agencies that manage the

various components of the official relationship with China are seeking to maintain forward momentum in bilateral ties and to avoid losing the substantial gains that were achieved over the past twenty years. However, to establish leadership over Congress with its inherent lack of a unified foreign policy voice, the executive branch must articulate a persuasive and coherent policy on China that incorporates the recent public and congressional concerns for human rights and democracy.

Prospects for US-China Relations in 1990s

After finding great uncertainty about the future direction of China and significant changes in the views and influence of key domestic US actors who shape US-China ties, the group felt that it could not agree on a set of policy recommendations. To do otherwise, it was believed, would have forced consensus where there currently is none.

Regarding specific policies that the United States should adopt toward China, the group expressed differing opinions revolving around four issues: (1) the extent of US influence on China, (2) the proper mixture of realism and idealism in US foreign policy. (3) the degree of support for the Chinese democracy movement. and (4) the range and depth of sanctions.

Some in the group believed that any official policy adopted by the US government would have little influence on China's long-term direction; others thought we could indirectly steer or nudge China by "setting up general avenues of least resistance." Another argued that US-China interactions over time do help determine the relative levels of cooperation and/or conflict in the bilateral relationship.

Sharp differences were expressed over the proper mix of realism and idealism in US policy toward China. One group member felt that Washington should focus on clearly understood goals regarding China and adopt specific policies that effectively reach those goals. Another group member felt that the integrity of US values and the norms of the developed world must be upheld even while recognizing that gaining concrete improvements on human rights might appear to be elusive over the short run.

In supporting the Chinese democracy movement, all group members agreed that the United States should provide temporary haven for the students and citizens that have been stranded here. Some group members firmly believed though that the United States should not involve itself in Chinese politics and revolutionary activities through the funding of Chinese democracy organizations. Other members believed that the United States, unofficially and perhaps officially, should take a more active role in making available financial and humanitarian assistance to sustain Chinese democracy activities overseas.

Regarding the issue of sanctions, some members expressed unease over Congress's proclivity to utilize sanctions "to crudely punish" China —the consequences of which these group members believe may harm, rather than help, the reform-minded, pro-Western Chinese still in the government. One group member stated that since the United States cannot influence China directly, Washington should limit itself to using logic and persuasion, not carrots and sticks, to indicate to China's leaders the consequences of actions they might take. Other group members believed that the international community and the US public "need a sense of justice" similar to that which a criminal justice system provides for society. They noted that the moderate sanctions Congress has adopted fulfills that need and communicates to China the importance the outside world ascribes to the integrity of its values and systems.

Although the group disagreed over the appropriateness of sanctions, there were no calls for significantly tougher sanctions beyond that contained in the legislation passed by Congress. At the same time, the group agreed that four criteria should be utilized to formulate future sanctions should public opinion toward China worsen in reaction to the situation in that country. Sanctions should be:

- Sustainable over a long period of time if China decides to ignore them.
- Consistent with sanctions imposed on other countries with similar human rights records.
- Narrowly targeted to gain maximum effectiveness.
- Coordinated multilaterally and as widely as possible.

The general tone of the group's discussion indicated a collective

judgment that the range of US-China relations cannot return to the relative warmth and level that existed before May and June 1989 unless and until the forces for greater political freedom and/or economic reform regain leadership in China. In the context of volatile change in Communist countries, US leaders will increasingly judge China by the breadth which it permits open participation in its political system and its protection of human rights, not just the traditional standards of economic growth and convergence of strategic interests.

Rapporteur Miles Nienstadt and Chair Harry Harding

President's Address

by Richard H. Stanley
President, The Stanley Foundation

Richard Stanley opened the Strategy for Peace Conference with the following remarks, addressing all participants from the four topic groups.

For the past thirty years this conference series has been dedicated to the development of US policy. This year is no different. However, we all know that the context of policy formulation, whether direct as in the case of our group on China, or indirect as with our group on Soviet economic reform, has altered significantly as the world and our relative position in it have changed fundamentally over the past three decades. This simple observation prompts me to ask you to consider in your deliberations two larger, underlying issues that will define the context for US policy: first, the changing national power relationships including the relative erosion of US power since our immediate post-World War II period of dominance; and second, the profound global systemic changes that are rendering old policy assumptions and formulas obsolete.

Let me elaborate. First, with regard to the relative decline of US power, I think the facts are clear while interpretations may vary. For example, we are all well aware that in the space of a few years the United States has gone from being the world's largest creditor nation to being the world's largest debtor nation as we continue to import capital to offset our decline in world markets. Our trade and budget deficits exceed $100 billion annually which is also a relatively new phenomenon, at least in terms of the size of the deficits. In another area of national power we remain the world's preeminent military power, but we are finding that military

strength, a continuing necessity for the present and foreseeable future, has brought on obligations and problems that outstrip our means, a dilemma Paul Kennedy has labeled "imperial overstretch." Additionally, we, as well as the Soviets, have learned hard lessons about the limits of military power. We have finally realized that the absolute power of strategic weapons makes their use unthinkable. The two superpowers are like hulking giants who dare not unleash their might, thus rendering these massive arsenals nearly impotent in terms of enforcing political decisions. Both have learned hard lessons about the limitations of superior conventional forces in Viet Nam and Afghanistan respectively and are now beginning to understand the Pandora effect of conventional weapons proliferation in the Third World.

These economic and military trends have been a blast of cold reality and have caused some to make alarmist predictions about the decline of US power and the disaster awaiting the US economy. Others have chosen to deny the trends, relying instead on nationalist sentiment and a retrenchment of old policies from the glory days of US dominance. Before following either path, or any in between, I hope we will first be willing to make a sober assessment of the degree and nature of decline and how it relates to a broader global adjustment toward a more multipolar world.

Second, and just as obvious as the altered status of US dominance, is the fundamental change occurring in the nature of the world. This change is evident in the form of globalization of both problems and systems. For example, the economic system has been internationalized as nonstate economic actors such as transnational corporations and major financial institutions have grown in size and power. This change has greatly curtailed the ability of national governments to independently manage their own economic futures.

The environment illustrates the globalization of a problem. The global dimensions of this issue have only recently surfaced. Thirty years ago we knew little about pollution and treated it as a local problem. Today the environmental crisis threatens the very ecosystem that sustains life on this planet. Clearly, the greenhouse effect, depletion of the ozone layer, ocean pollution, deforestation, and desertification are among several examples of truly global and basic problems that defy traditional state-oriented solutions.

While our conference topics were never intended to be related in any way, they are all linked by these overriding issues that I believe will help form the basic context for the formulation of US policy.

Our discussion on "Global Change and Africa: Implications for US Policy" acknowledges the need to deal with these issues in its title as well as in its objectives. Fundamental changes in the international system have significantly altered the context within which US policy toward Africa will be formulated and implemented. This discussion group will build on the growing awareness of these developments and of their impact in Africa in an effort to develop guidelines for effective multilateral initiatives there.

The group examining "Soviet Economic Reform: Socialism and Property" will seek to go straight to the heart of the Soviet effort to respond to its own decline in power and its effort to continue as a great power through economic and political reform. The Soviets must attempt these efforts in an evolving international context. They have been our major rival and the motivation for much of our foreign policy for some forty years. They will continue to be of major concern for the foreseeable future, but the importance of the rivalry is declining. The Soviets are clearly in a less advantageous position than the United States to meet these new challenges. However, you can be sure that the success or failure of their efforts will have significant implications for US policy.

Those of you here to investigate the relationship between "Debt and Democracy in Latin America" are no doubt well aware of the interplay of state and nonstate economic actors in this region. It is my belief that Latin America will be of profound importance to the future of US political-economic policy. This region, that has seen so many years of US domination, will no doubt hold many lessons for the United States as we adapt to new political and economic relationships.

Finally, the discussion group on the "Crisis in China: Prospects for US Policy" offers a fascinating opportunity to examine our own response to the situation in China as well as to the actual events taking place there now. Are economic sanctions and political threats effective or desirable methods in face of the recent aberrant

behavior of the Chinese government? What is the appropriate role for the US, and what are its duties and obligations? How effective can we be? Do we need to develop new methods to achieve our objectives?

I should say at this point that I am not trying to paint a particularly negative picture of the future, but I believe change is underway and its continuation is inevitable. Therefore, my plea to you is to look to the future and to the new global realities as you develop policy criteria. Perhaps Paul Kennedy sums up all this best in his book, *The Rise and Fall of the Great Powers*, in the following passages:

> The task facing American statesmen over the next decades, therefore, is to recognize that broad trends are underway, and there is a need to "manage" affairs so that the relative erosion of the United States' position takes place slowly and smoothly, and is not accelerated by policies which bring merely short-term advantage but longer-term disadvantage. ...
>
> In all of the discussions about the erosion of American leadership, it needs to be repeated again and again that the decline referred to is relative not absolute, and is therefore perfectly natural; and that the only serious threat to the real interest of the United States can come from a failure to adjust sensibly to the newer world order.

Having laid out these challenges and having asked that you give them some consideration, I feel obligated to share with you some early thoughts on how we might respond. First, I think that we are looking for ways to proceed and not for grand theories or solutions to impose. Simply put, I think the best approach would be process-oriented.

One of the more immediate responses I would recommend is elimination of the increasingly false dichotomy separating foreign and domestic policy. Can we any longer have a domestic environmental policy and a foreign version? Surely the debt problem in Latin America has domestic implications. Iowa farmers are well aware of the domestic impact that Soviet economic and agricultural reforms can produce. Drug policy is another example of the blurring of foreign and domestic issues. And with the growing public interest and formation of politically active groups concerned with China, domestic implications will soon be felt.

The joining of foreign and domestic policy is closely related to a second pressing need: better coordination of national policy. All too often foreign nations get one word from Treasury and another from State. We have different national agendas that only serve to send mixed signals and exacerbate problems. What are the priorities of our policy toward Latin America? It depends on whom you talk to—the banks want their money and the State Department wants democracy. I don't believe these issues are antithetical, but the prospects for both might be improved through better coordination of policy. It almost goes without saying that greater consideration must be given to multilateral options in meeting the problems and challenges that lie ahead. As I have already noted, by their very nature, the internationalization of the economy and the planetary threats to the environment defy any unilateral or bilateral attempt at resolution. Add to this the growing level of poverty, overpopulation, international health problems, as well as nontraditional threats to security like terrorism and drugs, and the need for greater consideration of multilateral alternatives is mandatory. It is time to build the international institutions needed to assist in meeting these problems.

Perhaps the most difficult and profound adjustment is the rethinking of our view of ourselves in the world. I recently chaired an international conference on the environment. During discussion of sustainable development, a concept of development that is environmentally sound and regenerating, one of our participants from a developing country stated bluntly that sustainable development will not be possible until the people of the developed world enter into a solidarity pact with the people of developing countries that acknowledges that all our lives are equally important. I do not mean to sound some simplistic call for us to raise our level of consciousness to do right and be good. Rather, I want to underscore the fact that we have yet to learn to think of ourselves as part of a global system. We have not acknowledged or internalized our interdependence with the people or the planet. The United States is a great nation that has proven time and again its resourcefulness, its intelligence, and its courage to meet new challenges—we must now add maturity and wisdom to meet the challenges ahead.

I look forward with great anticipation to your stimulating discussions. I trust that they will prove productive and creative and

that together we may make a modest contribution toward a secure peace with freedom and justice.

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Activities

The Stanley Foundation works toward the goal of a secure peace with freedom and justice by encouraging study, research, and discussion of international issues. Programs strive to enhance individual awareness and commitment and to affect public policy.

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Other Publications

US Policy in the Persian Gulf: New Beginnings. Participants focused on new developments in the region in an effort to formulate goals and strategies for US policy. April 1989, 16pp.

Indochina Policy Recommendations for the Next Administration. The product of a year of discussion and debate by the Indochina Policy Forum, a bipartisan group of experts on Cambodia, Vietnam, and Laos. October 1988, 20pp.

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